

chapter

2

TEST A

Name	Perfect Score	Your Score
Analyzing Accounting Concepts and Practices	20 Pts.	
Analyzing the Effect of Transactions	9 Pts.	
Determining the Normal Balance, Increase, and Decrease Sides for Accounts	36 Pts.	
Analyzing Transactions into Debit and Credit Parts	20 Pts.	
Total	85 Pts.	

Part One—Analyzing Accounting Concepts and Practices

Directions: Place a *T* for True or an *F* for False in the Answers column to show whether each of the following statements is true or false.

	Answers
1. An accounting device used to analyze transactions is a T account.	1. _____
2. An amount recorded on the left side of a T account is a credit.	2. _____
3. Each asset account has a normal debit balance.	3. _____
4. Each liability account has a normal credit balance.	4. _____
5. The balance of an account increases on the same side as the normal balance side.	5. _____
6. Asset accounts increase on the credit side.	6. _____
7. Each transaction changes the balances in at least two accounts.	7. _____
8. A list of accounts used by a business is a chart of accounts.	8. _____
9. When cash is paid for supplies, the supplies account is increased by a debit.	9. _____
10. Common accounting practice is to record withdrawals as debits directly in the owner's capital account.	10. _____
11. The left side of an asset account is the credit side because asset accounts are on the left side of the accounting equation.	11. _____
12. A drawing account is decreased by debits and increased by credits.	12. _____
13. Increases in expense accounts are recorded as debits because they decrease the owner's capital account.	13. _____
14. The normal balance side of an accounts receivable account is a credit.	14. _____
15. Accounts payable accounts are increased with a debit.	15. _____
16. Advertising Expense is increased with a debit.	16. _____
17. Cash is increased with a credit.	17. _____
18. Prepaid Insurance is decreased with a credit.	18. _____
19. To summarize withdrawal information separately from the other records, owner withdrawal transactions are recorded in the owner's capital account.	19. _____
20. Increases to liability accounts are recorded on the debit side.	20. _____

Part Two—Analyzing the Effect of Transactions

Directions: For each of the following items, select the one choice that best completes the statement. Print the letter identifying your choice in the Answers column.

Answers

1. The right side of a T account is the
a. debit side.
b. credit side.
c. normal balance side.
d. equity side. 1. _____
2. If an amount is recorded on the side of a T account opposite the normal balance side,
a. the account balance is increased.
b. the account balance is decreased.
c. the account balance is unaffected.
d. the account balance is correct. 2. _____
3. The normal balance side of an asset account is the
a. debit side.
b. credit side.
c. decrease side.
d. right side. 3. _____
4. When the owner invests cash in a business, the owner's capital account is
a. increased by a debit.
b. increased by a credit.
c. decreased by a debit.
d. decreased by a credit. 4. _____
5. When a business pays cash on account, a liability account is
a. increased by a debit.
b. increased by a credit.
c. decreased by a debit.
d. decreased by a credit. 5. _____
6. When cash is received from sales, the change in the owner's equity is usually
a. recorded in a separate revenue account.
b. recorded directly in the owner's capital account.
c. recorded as interest revenue.
d. always recorded on the debit side. 6. _____
7. Increases in a revenue account are shown on a T account's
a. debit side.
b. credit side.
c. left side.
d. none of these. 7. _____
8. When \$1,500.00 cash is received on account.
a. Sales is increased with a credit and Cash is increased with a credit.
b. Accounts Receivable is increased with a debit and Cash is increased with a credit.
c. Accounts Receivable is decreased with a credit and Cash is increased with a debit.
d. Accounts Receivable is decreased with a debit and Cash is increased with a debit. 8. _____
9. The normal balance side of any expense account is the
a. debit side.
b. credit side.
c. right side.
d. none of these. 9. _____

Name _____

Part Three—Determining the Normal Balance, Increase, and Decrease Sides for Accounts

Directions: For each of the accounts in the table below,

1. Write the classification of the account in the Classification column (Asset, Liability, or Owner's Equity).
2. Place a check mark in the Normal Balance Debit or Credit column to show the normal balance side of the account.
3. Place a check mark in the Increase Side Debit or Credit column to show the side of the account on which increases are recorded.
4. Place a check mark in the Decrease Side Debit or Credit column to show the side of the account on which decreases are recorded.

Account	Classification	Normal Balance		Increase Side		Decrease Side	
		Debit	Credit	Debit	Credit	Debit	Credit
Sales							
Accts. Rec.—Lopez Sports							
Prepaid Insurance							
Matt Cooper, Capital							
Cash							
Matt Cooper, Drawing							
Supplies							
Accts. Payable—Hunter Golf							
Rent Expense							

Part Four—Analyzing Transactions into Debit and Credit Parts

Matt Cooper owns a business called Cooper's Sports Outlet. Cooper's Sports Outlet completed the following transactions.

- March
1. Received cash from owner as an investment, \$4,500.00.
 2. Paid cash for supplies, \$700.00.
 3. Bought supplies on account from Hunter Golf Supplies, \$185.00.
 4. Received cash from sales, \$900.00.
 5. Paid cash on account to Hunter Golf Supplies, \$75.00.
 6. Paid cash to owner for personal use, \$300.00.
 7. Sold services on account to Lopez Sports, \$150.00.
 8. Paid cash for insurance, \$300.00.
 9. Received cash on account from Lopez Sports, \$125.00.
 10. Paid cash for rent, \$950.00.

Directions: Analyze each transaction into its debit and credit parts. Write the debit or credit amounts in the proper T accounts to show how each transaction changes account balances. Write the date of the transaction in parentheses before each amount.

Cash

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Accts. Pay.—Hunter Golf Supplies

--	--

Matt Cooper, Capital

--	--

Matt Cooper, Drawing

--	--

Accts. Rec.—Lopez Sports

--	--

Supplies

--	--

Sales

--	--

Prepaid Insurance

--	--

Rent Expense

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